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August 13, 2007

David B. Wescoe
San Diego Employees' Retirement System Administrator/CEO
401 West A Street, Suite 400
San Diego, California 92101

San Diego City Employees' Retirement System

Dear Mr. Wescoe:

It has been reported that there have been substantial losses in the stock market due to the unprecedented volatility related to subprime lending. "The crisis in subprime lending has sent shock waves through other parts of the financial system and caused big drops in the stock market in trading last week as investors worried about whether an expanding credit crunch could do serious harm to the overall economy." Martin Crutsinger, Associated Press, *Federal Reserve Finds Banks Tightening Standards On Subprime Mortgages*, SAN DIEGO UNION TRIBUNE, August 13, 2007. Additionally, the Los Angeles Times has reported that "[t]here continues to be a great deal of uncertainty in the market over the extent of problems in the subprime mortgage sector. Defaults among subprime mortgage holders -- borrowers with weak credit -- began the chain of events that led to the turmoil on Wall Street and other stock markets in recent weeks." Lauren Villagran, Associated Press, *Wall Street Edges Lower After Banks Add Liquidity*, LOS ANGELES TIMES, August 13, 2007.

Can you please immediately report if the San Diego City Employees' Retirement System (SDCERS) has invested in subprime lender stocks, and if so, indicate the rate of return on any such investments as of July 1, 2007. Additionally, please continue to provide reports for any subprime lender stocks that SDCERS has invested in on an ongoing basis as soon as the necessary returns are available.

Sincerely,



MICHAEL J. AGUIRRE, City Attorney